

MEMORANDUM

TO: THE COMMISSION

FROM: Utilities Division

DATE: June 15, 2000

RE: STAFF REPORT ACCOMPANYING PROCESS STANDARDIZATION
WORKING GROUP REPORT (DOCKET NO. E-00000A-00-0403)

Decision No. 61969 (September 29, 1999) in the Retail Electric Competition Docket ordered that a Process Standardization Working Group be formed and that the Director of the Utilities Division file a working group report on or before June 15, 2000. Attached is the Staff Report that accompanies the Working Group Report.

Deborah R. Scott
Director
Utilities Division

DRS:bk

Staff Report
Process Standardization Working Group Report
E-00000A-00-0403

Background

In Decision No. 61969 (September 29, 1999) in the Retail Electric Competition Docket, the Commission stated that transaction processing methods used by market participants should be standardized and coordinated statewide in the interest of economic efficiency. There should be a process to achieve the goal of consistent statewide application of transaction processing methods by the time that the Arizona market is open to full retail electric competition.

To achieve this goal, the Commission ordered that a Process Standardization Working Group be formed, consisting of Commission Staff, market participants, and the Residential Utility Consumer Office, and coordinated by the Director of the Utilities Division or the Director's designee. The Process Standardization Working Group was ordered to meet as necessary to review transaction processing methods used by market participants, for the purpose of standardizing and coordinating those methods. The Director of the Utilities Division was ordered to file with the Commission a Process Standardization Working Group Report, containing standardized operating procedures to be used by all market participants, on or before June 15, 2000. The report could also contain additional Staff recommendations based on the Working Group's review of transaction methods. This document is Staff's report to accompany the Working Group Report.

Progress of the Process Standardization Working Group

The first meeting of the Process Standardization Working Group (PSWG) was held on December 3, 1999. The group has held many meetings since then, both as subgroups and as a whole. A great deal of work has been done, but more needs to be done. Staff agrees with the PSWG that there is a need for an ongoing process to continue the work. The Working Group Report summarizes the findings and recommendations of the PSWG.

The PSWG formed the following subcommittees: (1) Policy, (2) Billing, and (3) Meter Systems and Meter Reading. The three subcommittees prepared their own reports that were incorporated into the Working Group Report.

Policy Subcommittee

The Policy Subcommittee was formed to look at the over-arching issues and concerns that the market participants presented to the PSWG. The Policy Subcommittee was charged with serving as a clearinghouse for discussion, coordination, and clarification of policy issues to be addressed by the PSWG and developing a change

control process to be used by the PSWG in its decision-making process. In addition, it was to address security and transport issues related to retail electric competition.

Up to this point, the primary focus of the Policy Subcommittee has been to identify and communicate to the PSWG policy issues that needed resolution in order to guide deliberations of other subcommittees or PSWG recommendations.

The following are the policy issues on which the Policy Subcommittee reached consensus:

- *XML versus EDI* – These are data formats used to electronically transfer data. The Policy Subcommittee has recommended using Electronic Data Interchange (EDI) as the format since there are no applicable versions of XML in use at this time. The Commission should remain current on the developments of XML.
- *Standardized Work Day* – Commission rule R14-2-1612(K)(12) recognizes North American Electric Reliability Council (NERC) holidays. If one of these holidays falls on a Saturday or Sunday, it is not observed by NERC. The Policy Subcommittee has recommended modifying the Commission rule to allow for those NERC holidays that fall on a Saturday or Sunday to be observed by the market participants on the corresponding Friday or Monday.
- *Commercial Load-Profiled Meter Services* – Commission rule R14-2-1615(B)(1) does not allow Utility Distribution Companies (UDCs) to provide Meter Service Provider (MSP) and Meter Reading Service Provider (MRSP) services for commercial load-profiled customers. The Policy Subcommittee has recommended modifying the Commission rules to lift this restriction. Doing so would allow this type of customer to actually have choice because otherwise it would be too expensive for a non-UDC to provide such services during the early stages of competition.
- *Rounding of Billing and Metering Data* – This issue was found not to be a widespread problem, and the magnitude is small. No change was recommended.
- *Reporting Meter Exceptions* – There is presently no formalized process to report meter exceptions (transaction errors) between UDCs and Electric Service Providers (ESPs). The Policy Subcommittee has recommended using a method modeled after the Meter and Data Exception Notice (MADEN) process used in California. This should reduce the problem of customers receiving incorrect bills.
- *Requiring Universal Meter Identifier (UMI) Numbers* – When the UMI requirement was established, it was presumed to be the national standard. However, at the present time no other state is utilizing UMI. Therefore, the Policy Subcommittee has recommended not using UMI.

- *Use of Standardized Times for Business Transactions* – The Policy Subcommittee has recommended using Greenwich Mean Time (GMT) for all EDI transactions. The enveloping of the EDI transactions will utilize the sender's local time.
- *Customer Bill Line Items* – Commission rule R14-2-1612(N) requires a bill to list all possible services. The Policy Subcommittee has recommended amending the rule to require the billing party to itemize only those services that are actually being provided to the customer.

All other issues before the Policy Subcommittee will be addressed in future meetings.

Billing Subcommittee

In order to address the issues that are associated with billing transactions in a competitive environment, the PSWG formed a Billing Subcommittee. The Billing Subcommittee was charged with developing a set of workable billing transaction processes that would be utilized by participants in the proposed competitive Arizona electric market.

In accomplishing its goal, the Billing Subcommittee had to recognize the fact that existing utility systems were not designed to work with external systems and that Direct Access (DA) would require new ways of operating with those existing systems. In addition to this, DA would require significant resources, in terms of cost and time, to make the system changes that would be needed to meet the current market demand. The Billing Subcommittee also recognized that the cooperatives, which serve various parts of rural Arizona, have unique circumstances with respect to size, location, customer base, and constrained resources.

Initially, the Billing Subcommittee identified and prioritized five DA billing functions that included: bill to end-use customer, ESP consolidated billing, UDC consolidated billing, true-up and settlement statements, and true-up and settlement invoices. Of these five billing functions, ESP consolidated billing was given the highest priority by the Billing Subcommittee and was the first of the five billing functions to be addressed.

Over the course of four months, the Billing Subcommittee was able to standardize several billing processes, develop interim solutions to avoid costly changes for ESP and UDC systems, and identify items that were not covered originally. Billing Subcommittee members also identified and resolved 16 of 27 issues that were identified by members (including all of the current high priority issues associated with ESP consolidated billing). Members also reached an agreement on the data elements for standardization of the EDI 810 transaction¹ and developed recommendations on several processes of standardization.

¹ The EDI 810 transaction is an electronic exchange of information between a UDC and an ESP that allows an ESP to produce a customer's bill with UDC charges, such as transmission and distribution charges.

Work that remains to be done by the Billing Subcommittee includes the completion of unresolved issues associated with ESP consolidated billing, the finalization of the aforementioned EDI 810 transaction with UDC consolidated billing (including bill to end-use customer plus true-up and settlement statements and invoices). The Billing Subcommittee also intends to continue to identify and conduct an in-depth analysis of the Commission's electric competition rules, making sure that they allow for both flexibility in market systems and interim solutions for DA billing.

In the PSWG report, the Billing Subcommittee recommended the following processes for standardization: ESP consolidated billing, interim re-bill data, billing exception notices (BEN), and the EDI 810 transaction.

Metering Systems and Meter Reading Subcommittee

The PSWG created the Metering Systems and Meter Reading Subcommittee (Metering Subcommittee) to address meter issues related to the introduction of retail electric competition. Specifically, the Metering Subcommittee has worked to identify the best business practices for exchanging, installing, removing, and reading meters and to standardize these processes to the extent possible.

The Metering Subcommittee recognized that certain difficulties needed to be overcome to standardize the meter-related processes. First, existing utility systems and processes are not designed to interface with external systems and equipment. Second, for DA-related processes, significant amounts of data must be transmitted between parties. Third, the Arizona cooperatives have a number of unique circumstances that need to be considered in the implementation of retail electric competition.

The Metering Subcommittee, recognizing the extent of the group's charge, decided to focus on metering transactions first, with meter reading issues to be addressed at a later date. The group then looked at metering transactions and prioritized the transactions based on their importance and the necessity for timely consideration of each transaction. The group decided to focus its initial efforts on best practices for the meter exchange processes related to the initial switch of a customer from Standard Offer service to DA service.

In addressing the initial switch processes, the subcommittee considered information from a wide variety of sources, including: existing utility practices, Commission Retail Electric Competition Rules, the Electric Power Competition Act (House Bill 2663), various utility timing requirements, and proposals from various parties on how they would like to do business. The group also compared Arizona data elements and business processes to other industry standards, including: other market competition models, the Coalition for Uniform Business Rules, and the Utility Industry Group.

The Metering Subcommittee was able to agree upon data elements, business rules, meter data and scheduling forms, and transport mechanisms for each process. The group was able to standardize the Existing Meter Information (EMI), Meter and Data

Communication Request (MDCR), and Meter Installation/Removal Notice (MIRN) forms. The group was able to standardize several UDC timing requirements and business processes. The group identified and standardized data elements that must be exchanged between market participants and that will eventually be used for the EDI 650 transaction. Information developed for the initial switch process will be helpful as additional meter-related processes are addressed. The subcommittee resolved 7 of 15 meter-related issues.

The group has identified remaining work to be done in a number of areas, including: developing a method for transmitting data electronically, developing data element definition and Arizona Metering Handbook documents, and beginning to work on other metering processes (the group has identified at least 13 remaining processes). Additionally, the group needs to work on the development of an EDI 650 Implementation Guide, meter reading issues and processes, scenarios for exception reporting, and distributed generation DA meter processes.

Staff Recommendations

Staff supports all of the recommendations presented in the PSWG Report, except for the Policy Subcommittee recommendation to modify the Commission rule to allow UDCs to provide MSP and MRSP services for commercial load-profiled customers. Staff believes it is more appropriate at this time for the companies to request a temporary waiver of the rule instead of seeking a change to the rule.

Staff thanks the PSWG for the tremendous amount of work that the participants have contributed. Staff encourages the group to continue its fine work to facilitate the introduction of retail electric competition to Arizona.